



***Program Compliance Office
Cal Grant Program Review Report***

2003-04 Award Year

**Pacific Union College
Program Review ID#80500125800**

**1 Angwin Ave
Angwin, CA 94508**

Program Review Dates:	November 14 through November 16, 2005
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AUDITOR'S REPORT

SUMMARY

We reviewed Pacific Union College's administration of California Student Aid Commission (Commission) programs for the 2003-04 award year.

The institution's records disclosed the following deficiencies:

- Student Education Levels Reported Incorrectly
- Cal Grant Recipient Overawarded Due to Insufficient Unmet Need
- Disbursement More than Eligible Amount Due to Enrollment Status
- Disbursement Less than Eligible Amount Due to Reporting Error

BACKGROUND

Through institution compliance reviews, the administration of Commission programs is evaluated to ensure program integrity with applicable laws, policies, contracts and institutional agreements as they pertain to the following grant programs administered by the Commission:

Cal Grants

A, B, C and T

The following information, obtained from the institution and Commission database, is provided as background on the institution:

A. Institution

- Type of Organization: Private Institution of Higher Education
- President: Richard Osborn
- Accrediting Body: Western Association of Schools & Colleges
- Size of Student Body: 1,638

B. Institutional Persons Contacted

- Glen Bobst, Jr.: Director Student Financial Services

C. Financial Aid

- Date of Prior Commission Program Review: May 1995
- Branches: White Memorial Hospital, Los Angeles; Hanford Medical Center, Hanford; Travis AFB, Travis; Ukiah Medical Center, Ukiah; Napa Valley Center, Napa; Yuba College, Clear Lake
- Financial Aid Programs: Federal: Family Education Loan Program, Work Study, Pell, SEOG, Perkins
State: Cal Grants A, B, C and T
- Financial Aid Consultant: N/A

AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the institution adequately administered the Commission programs and their compliance with applicable laws, policies, contracts and institutional agreements as they pertain to the grant programs administered by the Commission.

The review focused on, but was not limited to, the following areas:

- A. General Eligibility
- B. Applicant Eligibility
- C. Fund Disbursement and Refunds
- D. Roster and Reports
- E. File Maintenance and Records Retention
- F. Fiscal Responsibility for Program Funds

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that grant funds received by the institution are secure.
- Administration systems have adequate controls to ensure that grant payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluating the current administrative procedures through interviews and reviews of student records, forms and procedures.
- Evaluating the current payment procedures through interviews and reviews of student records, forms and procedures.
- Reviewing the records and grant payment transactions from a sample of 40 students who received a total of 30 Cal Grant A awards and 10 Cal Grant B awards within the review period. The program review sample was randomly selected from the total population of 237 recipients.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Commission grant funds were administered according to the applicable laws, policies, contracts and institutional agreements. Accordingly, transactions were examined on a test basis to determine whether grant funds were expended in an eligible manner. The auditor considered the institution's management controls only to the extent necessary to plan the review.

AUDITOR'S REPORT (continued)

**OBJECTIVES,
SCOPE AND
METHODOLOG
Y (continued)**

This report is written using the exception-reporting format, which excludes the positive aspects of the institution's administration of the California grant programs.

The names and social security numbers of the sample of students reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the students by name, social security number and grant type.

CONCLUSION

In conclusion, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commissions grant programs.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

The review was discussed with agency representatives in an exit conference held on November 16, 2005.

November 16, 2005

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

B. APPLICANT ELIGIBILITY:

FINDING 1: Student Education Levels Reported Incorrectly

A review of 40 student files revealed 2 instances where the institution verified and reported an incorrect education level.

DISCUSSION:

The Educational Level (EL) Report is used to verify a new recipient's educational level. A recipient's EL determines the number of years a student will be eligible to receive Cal Grant benefits. A recipient with an EL 1 receives 400% eligibility. Institutions verify each recipient's EL based on the recipient's EL at the time the student receives the initial payment. The verification should not be based on the EL of the recipient at the time the report is received and/or completed.

The institution determines EL as follows:

0 to 44.99 units	EL 1
45 to 89.99 units	EL 2
90 to 134.99 units	EL 3
135 + units	EL 4

Student No. 14 was verified as an EL 2. According to transcripts, the student had 135.8 transfer credits prior to Fall 2003 (student's initial payment term) which is considered an EL 4. The student received an additional 200% of Cal Grant eligibility.

Student No. 21 was verified as an EL3, however, transcripts showed the student had 39 transfer credits as of Fall 2003 (student's initial payment term) which is considered an EL 1. The student received 200% less Cal Grant eligibility.

REFERENCES:

Cal Grant Manual, June 1997, Chapter 7, page 7-3 thru 7-6

REQUIRED ACTION:

The institution must submit the procedures implemented to ensure that student Education Levels are reported correctly to maximize student awards. The Commission will correct the education levels for student No. 14 and student No. 21.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

PRIOR to processing the initial payment, the EL of the student MUST be checked with the credit hours reported on the student's transcript record. This would include any transfer credits plus institutional credits completed following the institutional prescribed credit units to EL levels. (Do not accept the student's declaration on the institutional aid application but rather verify per the registrars transcript for the student)

AUDITOR REPLY:

The institution procedures are deemed acceptable and no further action is required.

B. APPLICANT ELIGIBILITY:

FINDING 2: Cal Grant Recipient Overawarded Due to Insufficient Unmet Need

A review of 40 student files disclosed 1 student who was overawarded due to insufficient need.

DISCUSSION:

Financial need is simply defined as the difference between the student's cost of attendance (COA), the family's ability to pay these costs (EFC) and other aid the student receives, known as *resources* under the Campus-based programs or as *estimated financial assistance (EFA)* under the Stafford programs.

For Cal Grant purposes and Campus-based aid (excluding Pell) all resources must be taken into account when awarding. The total of the student's EFC, resources and Campus-based aid cannot exceed the student's cost of attendance. If this occurs, aid must be reduced to prevent an overaward. Unsubsidized Stafford, PLUS, and state and private education loans are not considered to be resources to the extent that they finance (or replace) the EFC. Thus, students may borrow under these programs **up to the amount of the EFC** without affecting eligibility for Campus-based aid or a subsidized Stafford Loan.

Resources include Pell eligibility (even if student doesn't apply for Pell), Direct and FFEL loans, other education loans, veterans benefits, grants, tuition and fee waivers, scholarships, fellowships, assistantships, and net earnings from need-based employment that will be received during the award year.

FINDINGS AND REQUIRED ACTIONS (continued)

Student No. 3 appears to have been overawarded as follows:

Need Analysis Student No. 3	
Cost of Attendance:	\$25,875
Less Expected Family Contribution	<4,838>
Less Family Discount	<600>
Less Tuition Discount	<780>
Less Tuition Assistance	<9,949>
Less Ministry Scholarship	<578>
Cal Grant Unmet Need	\$ 9,130
Less Cal Grant Disbursed	<9,708>
Overaward Amount	\$ 578

Overaward due to insufficient need is a recurring issue as this finding was also noted in the institution's May 1995 Cal Grant Program Review.

REFERENCES:

Institutional Participation Agreement, Article IV.C.4
Cal Grant Manual, Chapter 5, Page 5-22
Cal Grant Manual, Chapter 9, Page 7
2003-04 Federal Student Aid Handbook, Volume 1, Student Eligibility,
Chapter 7, Pages 117, 122-124

REQUIRED ACTION:

The institution must either return the **\$578** ineligible funds for Student No. 3 or disburse the amount to the student's account if the student is still enrolled. If the institution disburses funds, a copy of the student's Accounts Receivable Trial Balance which denotes the disbursement must be submitted. The institution must provide procedures that will be put into place to ensure students have sufficient need for Cal Grant awards.

INSTITUTION RESPONSE:

For Cal Grant purposes and Campus-based aid (excluding Pell) all resources must be taken into account when awarding. As awards are processed, and the total need based awards exceed the need, then award(s) must be reduced to meet need. The current software used notifies the technician awarding of an overaward. If this occurs the financial counselor must be notified to adjust the awards to fit within the need. Further, at the beginning and end of each term (quarter) the individual processing CAL Grants will verify each student as to whether the need is exceeded or not and if so then adjustments will be made awards.

FINDINGS AND REQUIRED ACTIONS (continued)

AUDITOR REPLY:

The institution returned \$578 on check # 0127876 dated February 3, 2006 and the institution procedures are deemed acceptable and no further action is required.

C. FUND DISBURSEMENT AND REFUNDS:

FINDING 1: Disbursement More than Eligible Due to Enrollment Status

Upon review of 40 student files, it was discovered that one student received disbursements in excess of eligible amounts due to enrollment status.

DISCUSSION:

Institutions are required to verify student eligibility at the time funds are processed to the recipient or the recipient's account. The institution must verify the enrollment status for each recipient listed on the grant roster in accordance with the established institutional policies. When making payment for a term that has ended, the institution must base the enrollment/attendance status on the number of units completed for the term.

The institution's enrollment status policy is as follows:

Full-time:	12 units or more
Three-quarter-time:	9-11 units
Half-time:	6-8 units

The institution disbursed a full-time award for Fall 2003 on March 3, 2004 (Fall 2003 term ends December 11, 2003) for student No. 22. According to transcripts, the student completed 11 units (three-quarter time) for the Fall 2003 term. Student No. 22 was only eligible for \$2,427 (\$3,236 x .75) but the institution disbursed \$3,236 leaving an ineligible amount of \$809 (\$3,236-\$2,427).

REFERENCES:

Institutional Agreement, Article III.A.2 & Article III.B.5, prior to February 2003
Institutional Participation Agreement, Article IV.C.3 & Article IV.C.4 eff. 2/2003
Cal Grant Manual, Chapter 5, pages 5-14 through 5-15 and 5-20
Cal Grant Manual, Chapter 8, November 2005 DRAFT, page 3

REQUIRED ACTION:

The institution must return the ineligible funds of **\$809** for student No. 22 and must submit copies of the policies and procedures to ensure enrollment status verification prior to fund disbursement.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

Enrollment status of the student must be made PRIOR to processing funds on the grant roster. Rules have been written to only process awards to student's accounts who are enrolled full time. Specific overrides are in place to process awards for less than full time enrollment. All awards processed for the current term or subsequent terms MUST have enrolled hours verified PRIOR to processing the award to the student's account AND to CAL Grant. Special care should be taken for processing awards after the term has ended. Payment should only be based on enrollment/attendance on the number of hours completed.

AUDITOR REPLY:

The institution returned \$809 on check # 0127876 dated February 3, 2006 and the institution procedures are deemed acceptable and no further action is required.

C. FUND DISBURSEMENT AND REFUNDS:

FINDING 2: Disbursement Less than Eligible Due to Reporting Error

After review of 40 student files, one student received a disbursement less than the eligible amount due to a reporting error.

DISCUSSION:

A recipient's attendance status must reflect the school's definition of full-time, three-quarter time, or half-time enrollment. The attendance status must be determined according to the recipient's attendance at the time funds are paid to the recipient or credited to the recipient's account.

Student No. 24 was enrolled in and completed 9 units (three-quarter time) for Fall 2003. The institution reported on WebGrants a full-time Access award of \$517 and a three-quarter time adjusted Tuition award of \$388 for a total of \$905. The student was eligible to receive a three-quarter time Access award of \$388 and a three-quarter time tuition award of \$2,427 for a total of \$2,815. The student received \$1,910 less than the eligible amount (\$2,815-\$905).

REFERENCES:

Institutional Agreement, Article III.A.2 & Article III.B.5, prior to February 2003
Institutional Participation Agreement, Article IV.C.3 & Article IV.C.4 eff. 2/2003
Cal Grant Manual, Chapter 5, pages 5-14 through 5-15 and 5-20

REQUIRED ACTION:

No liability resulted from the above finding, however, the institution must provide the written policies and procedures to ensure that enrollment status is reported accurately to ensure students receive the maximum Cal Grant award.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

Timely reconciliation of the amount reported on the CAL Grant roster, (verifying enrollment and dollar amounts) and the amount posted to the student's account to ensure that student's are receiving the maximum award.

AUDITOR REPLY:

The institution procedures are deemed acceptable and no further action is required.

<i>ID</i>	<i>Student Name</i>	<i>Program & E/C</i>	<i>New/Renewal</i>
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